

**DARLENE GREEN**  
Comptroller



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS

*Internal Audit Section*



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December 22, 2006

Myisa Whitlock, Executive Director  
Adams Park Community Center  
4317 Vista Ave.  
St. Louis, MO 63110


RE: Fiscal Monitoring Report of Adams Park Community Center  
(Project #2007-CDA8)

Dear Ms. Whitlock:

Enclosed is a report of our fiscal monitoring review of Adams Park Community Center (Contracts #05-11-31 & #06-11-31) for the period January 1, 2005 through September 30, 2006. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Adams Park Community Center. Our fieldwork was completed on October 24, 2006.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant sub recipients. If you have any questions, please contact Dwayne Crandall at 613-7257.

Sincerely,

  
Sedrick D. Blake, CPA  
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, Community Development Administration  
Lorna Alexander, Fiscal Coordinator, Community Development Administration



# CITY OF ST. LOUIS

***COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)***

***ADAMS PARK COMMUNITY CENTER  
CONTRACTS #05-11-31 AND #06-11-31***

***FISCAL MONITORING REVIEW***

***JANUARY 1, 2005 THROUGH SEPTEMBER 30, 2006***

***PROJECT #2007-CDA8***

***DATE ISSUED: DECEMBER 22, 2006***

***Prepared by:  
The Internal Audit Section***



## OFFICE OF THE COMPTROLLER

***HONORABLE DARLENE GREEN, COMPTROLLER***

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**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)**  
**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**  
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**CONTRACTS: #05-11-31 & #06-11-31**  
**FISCAL MONITORING REVIEW**  
**JANUARY 1, 2005 THROUGH SEPTEMBER 30, 2006**

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**INTRODUCTION**

**Background**

**Contract Name:** Adams Park Community Center

**Contract Numbers:** 05-11-31  
06-11-31

**Contract Periods:** January 1, 2005 through December 31, 2005  
January 1, 2006 through December 31, 2006

**Contract Amount:** \$100,000 (05-11-31)  
\$100,000 (06-11-31)

Contracts #05-11-31 & #06-11-31 (Documents 48047 & 53120) provided Community Development Block Grant (CDBG) funds to Adams Park Community Center to provide neighborhood beautification jobs, professional development, financial education and comprehensive year-round employment program for 30 young adults, ages 14-18.

**Purpose**

The purpose of our review was to determine Adams Park Community Center compliance with federal, state and local CDBG requirements for the periods January 1, 2005 through September 30, 2006 and make recommendations for improvements.

**Scope and Methodology**

We made inquiries regarding Adams Park Community Center internal controls relating to the grant administered by the Community Development Administration (CDA), tested evidence supporting the reports the Agency submitted to CDA and performed other procedures considered necessary. Our fieldwork was completed on October 24, 2006. However, as of the date of this report, the Agency has not responded.

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**CONCLUSION AND SUMMARY OF CURRENT OBSERVATIONS**

**Conclusion**

We found evidence to suggest Adams Park Community Center did not fully comply with federal, state and local CDBG requirements.

**Status of Prior Observations**

The Agency's previous Fiscal Monitoring Report dated September 7, 2005 noted four observations.

1. Agency did not classify youth employment program participants as employees.  
**(Unresolved)**
2. Failure to maintain adequate bonding insurance. **(Repeated)**
3. Failure to have disbursement checks signed by two authorized signers.  
**(Repeated)**
4. Monthly financial reports were not submitted in a timely manner. **(Resolved)**

**A-133 Status**

The Agency's A-133 audit report for the fiscal year ended September 30, 2004 rendered an unqualified opinion on the financial statements, although reportable conditions were noted, none involved CDA's contract with the Agency.

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**Summary of Current Observations**

We made recommendations for the following observations, which if implemented, could assist Adams Park in fully complying with federal, state and local CDBG requirements.

1. Failure to file IRS Form 1099-MISC.
2. Failure to file IRS Form 990.
3. Inadequate segregation of duties.
4. The Agency did not use two duly authorized signatures for checks.
5. Insufficient Board Oversight.
6. Agency not spending money allotted.

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**DETAILED OBSERVATION, RECOMMENDATION AND**  
**MANAGEMENT'S RESPONSE**

**1. Failure to File IRS Form 1099-MISC**

Federal guidelines states if a business wants to determine whether they have independent contractors instead of employees, the business must file a SS-8 with the IRS and await a ruling from the IRS. Further, if the IRS determines the business has independent contractors, the business must file Form 1099-MISC, Miscellaneous Income, to report payments of \$600 or more to persons not treated as employees (e.g. independent contractors) for services performed for your trade or business.

IAS noticed the entire Agency's 'independent contractors' income was above the \$600 threshold. IAS asked if the Agency filed an SS-8 for its 'independent contractors' and received a ruling, we further asked if the Agency filed IRS Form 1099-MISC for its 'independent contractors.' The Agency has never filed an SS-8 or an IRS Form 1099 MISC for its 'independent contractors.'

The Agency was unaware of all forms needed for the Agency to file independent contractors' status; the Agency thought IRS Form 941 was sufficient. Federal guidelines states if you incorrectly classify an employee as an independent contractor, you can be held liable for employment taxes for that worker, plus a penalty.

**Recommendation**

We recommend the Agency file SS-8 and receive an IRS ruling; we further recommend the Agency file an IRS Form 1099-MISC for all independent contractors and pay all applicable penalties.

**Management's Response**

*On November 30, 2006, we provided the Agency with our observations and requested a response by December 8, 2006. However, as of the date of this report, the Agency has not responded.*

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**2. Failure to File IRS Form 990**

Federal guidelines require all Not-for-profit organizations with annual gross receipts of \$25,000 or more are required to file an IRS Form 990 by 15<sup>th</sup> of the fifth month following the end of the Agency's fiscal year end. This Form should also be available for public inspection upon request.

IAS could not determine if the Agency did file an IRS Form 990 for calendar year ending December 31, 2005 as of our entrance conference October 12, 2006 or if the IRS Form 990 was filed timely. The Agency did not have a copy of IRS Form 990 available for public inspection.

The Agency's Program Coordinator could not locate the IRS Form 990, but thinks it was filed but could not tell us when. The Agency could be fined \$20 per day up to maximum of \$10,000 per year and could have its tax-exempt status revoked.

**Recommendation**

We recommend the Agency ensure its filing the IRS Form 990 for 2005 with any applicable penalties and ensure its 2006 is filed timely. We also recommend the Agency keep a copy available for public inspection at its business location.

**Management's Response**

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**3. Inadequate Segregation of Duties**

Sound internal controls require various processes be performed by different individuals. For example, the processes of receiving cash, recording the receipt, depositing the monies, and performing bank reconciliation should be performed by separate people.

IAS noticed the same person was responsible for accounting functions, signing/recording of checks and performing bank reconciliation.

Since the Agency uses an Accounting firm for its accounting needs, this procedure was deemed acceptable with Agency. When duties are not segregated, there is an increased risk of loss or misuse of funds.

**Recommendation**

We recommend the Agency ensure more than one person is responsible for performing the Agency's various accounting functions.

**Management's Response**

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**4. The Agency did not use Two Duly Authorized Signatures for Checks**

CDA Fiscal Procedures Manual requires the method of disbursement for expenditures shall be pre-numbered checks signed by the Chief Executive Officer and the Financial Officer or any two duly authorized officers. This is to enhance internal controls.

IAS observed some disbursement checks were only signed by one individual of the Agency's accounting firm. According to the Director, the Agency only required one signature for checks of any amount.

Internal controls are adversely impacted, also, possible delay or suspension of reimbursements to the Agency.

**Recommendation**

We recommend the Agency comply with CDA requirements and have all its disbursement checks for expenditures funded by CDA signed by two authorized officers.

**Management's Response**

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**5. Insufficient Board Oversight**

There is a presumption that agencies funded are to provide continuing services and will have the financial wherewithal to accomplish the same; the Agency's Board should provide proper oversight of the Agency's financial activities and operations.

As part of our review, IAS could not verify any Board of Directors meetings. According to the Agency, meetings are scheduled on a monthly basis, however, the Agency could not provide IAS with any documents or minutes verifying the meetings took place.

According to the Program Coordinator, the Agency holds meetings on a monthly basis but could not locate a single Board of Director's minutes from any meeting.

It is impossible to verify proper Board oversight of the Agency or if there is adequate oversight of the Board over the Agency its finance or internal controls

**Recommendation**

We recommend the Agency have Board meeting were financials and other internal controls can be monitored and record and maintain a signed copy of the meetings.

**Management's Response**

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**6. Agency Not Spending Money Allotted**

CDA guidelines states "In most cases, the funds allocated for each category will be spent evenly over the budget year. Therefore, normally a budget category should not be three-fourths spent at mid-year.

The Agency did not spend the contracted amount for calendar year 2005 for Contract #05-11-31. It requested \$49,895.29 in reimbursements, which was \$50,104.71 less than the contracted amount of \$100,000.

The Agency has requested \$60,937.80 out of \$100,000 from 01/01/06 through 09/30/06 for Contract #06-11-31. At one-twelfth the contracted amount, the Agency's expenditures should have been about \$75,000 as of the end of September 2006. The Agency's budget controls are ineffective and the Agency's funding could be reduced by CDA.

**Recommendation**

We recommend the Agency contact CDA and re-negotiate its contract. The contracted amount should be changed to reflect the Agency's actual expenditures.

**Management's Response**

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